

PERFORMANCE & COMPENSATION COMMITTEE OPEN SESSION

MINUTES OF MEETING

May 12, 2006

The Performance and Compensation Committee met on Friday, May 12, 2006, in the Lincoln Plaza North Building, 400 Q Street, Sacramento, California.

The meeting was called to order at 10:34 a.m. and the following members were present:

Priya Mathur, Chair
James Zerio representing Philip Angelides
Robert Carlson
Tony Oliveira
Kurato Shimada
Charles Valdes

Excused Michael Navarro

Other Board Members Present
Nick Smith representing Steve Westly

AGENDA ITEM 2 – APPROVAL OF THE FEBRUARY 10, 2006 PERFORMANCE AND COMPENSATION COMMITTEE MEETING MINUTES

The minutes were adopted.

AGENDA ITEM 3 - ELECTION OF COMMITTEE CHAIR AND VICE CHAIR

Ms. Priya Mathur was elected as Committee Chair and Mr. Tony Oliveira was elected as Vice Chair.

AGENDA ITEM 4 – 2006 SALARY SURVEY FOR CHIEF EXECUTIVE OFFICER, CHIEF ACTUARY AND INVESTMENT MANAGEMENT POSITIONS

Chris O'Brien, Human Resources Division Chief, presented the 2006 Biennial Salary Survey report, prepared in concert with Watson Wyatt Worldwide, the Board's executive compensation consultant. Mr. Rick Beal from Watson Wyatt was in attendance and answered a number of questions about how the data was collected. Ms. O'Brien reviewed the Summary of Alternatives for consideration relative to each position or classification, i.e., Chief Executive Officer, Chief Actuary, Chief Investment Officer, Senior Investment Officer, Senior Portfolio Manager and Portfolio Manager.

On **MOTION** by Mr. Valdes, **SECONDED** and **CARRIED** the Committee approved Alternative 2 for each position. Mr. Angelides' representative, Mr. Zerio, abstained.

AGENDA ITEM 5 – 2005-2006 PERFORMANCE PLAN FOR RECENTLY APPOINTED PORTFOLIO MANAGER, REAL ESTATE (SECOND READING)

Ms. O'Brien presented the performance plan for the second reading and approval.

On **MOTION** by Mr. Shimada, **SECONDED** and **CARRIED** the Committee approved the 2005-2006 Performance Plan for the recently appointed Portfolio Manager, Real Estate.

AGENDA ITEM 6 – THIRD QUARTER STATUS REPORTS ON PERFORMANCE PLANS OF THE CHIEF EXECUTIVE OFFICER, CHIEF ACTUARY AND INVESTMENT MANAGEMENT STAFF

Ms. O'Brien presented the third quarter status reports on the performance plans for the Chief Actuary and Senior Investment Officers, noting change requests for the plans of the Senior Investment Officers to accommodate the arrival of the new Chief Investment Officer. There was no plan for the CIO because the position was vacant during the third quarter. The Chief Executive Officer's third quarter status report will be presented at the June meeting.

On **MOTION** by Mr. Shimada, **SECONDED** and **CARRIED** the Committee approved the third quarter status reports of the Chief Actuary and Senior Investment Officers.

AGENDA ITEM 7 – CHANGES IN SENIOR PORTFOLIO MANAGER AND PORTFOLIO MANAGER PERFORMANCE PLANS

Ms. O'Brien reported this item as informational only since the CEO has been delegated the review of quarterly status reports and approval of changes in the performance plans for Senior Portfolio Manager and Portfolio Manager positions. The changes made to the plans were summarized in an attachment to the item.

AGENDA ITEM 8 – HUMAN RESOURCES DIVISION REPORT

On this information item, Ms. O'Brien reported that steps are being taken to address concerns relative to classification, recruitment and retention issues in the Health Benefits Branch. Staff have met with the Health management team and Cooperative Personnel Services. (CPS is a joint powers agency that consults on human resources issues.) They have the beginnings of a plan and anticipate developing a strategy in the next sixty days. Ms. O'Brien will report back to the Committee on progress.

AGENDA ITEM 9 – PROPOSED JUNE 2006 AGENDA

The proposed agenda was approved.

AGENDA ITEM 10 - PUBLIC COMMENT

There was no public comment.

The next Performance and Compensation Committee meeting will be held on Friday, June 16, 2006 in Sacramento, California.